

<b><u>OFFICE OF POLICE AND CRIME COMMISSIONER</u></b>	
<b>LEAD CHIEF OFFICER:</b>	<b>Assistant Chief Officer, Resources</b>
<b>TITLE:</b>	<b>Finance Report for the Year Ending 31<sup>st</sup> March 2018</b>
<b>DATE:</b>	<b>7<sup>th</sup> June 2018</b>
<b>TIMING:</b>	<b>Annual</b>
<b>PURPOSE:</b>	<b>For information</b>
<b>1.</b>	<b><u>RECOMMENDATION</u></b>
1.1	To note the Revenue and Capital financial position as at 31st March 2018.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	The purpose of this report is to present a summary of the final management accounting position regarding the completion of the Revenue and Capital Accounts for the year ended 31st March 2018.
2.2	The revenue and expenditure position shows a surplus of £6,285,002 against the budget set for 2017/18. This is a variance of £129,088 against the month 11 forecast position of £6,155,914.
2.3	The surplus is made up of a £6,171,225 under-spend for the Chief Constable and an under-spend of £113,777 for the Office of the Police and Crime Commissioner.
2.4	The capital expenditure for the year totalled £1,587,643 against a budget of £7,162,000.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
3.1	<b>Revenue Income and Expenditure (Appendix 1a)</b>
3.2	At the 31st March 2018, the Revenue account showed a surplus of £6,285,002 for the 2017/18 financial year. Sections 3.3 – 3.31 below detail the key areas to which the under spend can be attributed.
3.3	Police Officer Salaries and Allowances for the financial year to 31 March 2018 were £5,524,193 underspent. This is consistent with the underspend forecast at Month 11 of £5,593,862 and reflects the financial impact of the force being under-established during the financial year.
3.4	At the end of March 2018, the actual police officer establishment stood at 1,273.57 wte which is only 5.43 wte below the authorised operating model of 1,279 wte. The position reflects the intake of 184 probationer constables during 2017/18 and the success of the detailed workforce plan that was enacted during the year. It is envisaged that there will not be under-spend within pay costs in the 2017/18 financial year as a result.
3.5	Police Staff Salaries and Allowances show total over-spend of £2,001,890 (Appendix 1a, Line 2). As detailed in the Month 11 report an additional £2m contribution to the LGPS was approved and paid during the year. Excluding this the underlying actual results for police staff salaries and allowances were

	breakeven.																																					
3.6	At the end of March 2018, the actual establishment stood at 739.17 wte (including 101.00 wte Welsh Government funded PCSOs and 42.2 wte Force funded PCSOs), against the current authorised establishment of 778 wte. The vacancies are partly offset by 46 temporary agency staff currently in Force.																																					
3.7	<p>Police Officer Overtime and Enhancements showed a saving of 3% (£69,809) (Appendix 1a, Line 3), against a budget of £2,391,694.</p> <p>This represents a saving on normal overtime of £171,211 and £103,108 for bank holiday enhancements. The savings are partially offset by over-spend of £204,510 on rest day overtime.</p>																																					
3.8	At the end of March 2018, Police Staff and PCSO Overtime and Enhancements showed combined savings of £315,741. These reflect a small surplus on Overtime of £29,698 and significant savings of £286,043 relating to enhancement and weekend overtime.																																					
3.9	<p>Other Employee Related Costs (Appendix 1a, Line 5) were over-spent by £256,375 at the end of the financial year. This was against a forecast over-spend of £193,610 at Month 11.</p> <p>The total position for Other Employee Related costs includes under-spend on Medical Costs (£8,632), Employee Liability Insurance (£18,892) and Pension (£223,929) which have been offset by additional expenditure on Training costs (£498,693).</p>																																					
3.10	Overall Premises Costs were £203,201 over-spent at 31 March 2018 (Appendix 1a, Line 6). This was made up of savings against budget on Testing, Cleaning and Security costs (£48,198), Utilities (£10,918) and Rents and Rates (£31,374). The under-spend on these categories were offset by over-spend in Planned Maintenance (£187,840), Reactive Maintenance (£86,634) and Premises Insurances (£19,113).																																					
3.11	Transport Costs (Appendix 1a, Line 7) were under-spent against budget by £170,263 in the year to 31 March 2018. The significant movements against budget can be attributed to savings on Helicopter Hire (£187,239) and Fuel (£158,364) offset by over-spends on Travel and Subsistence costs (£35,269) and Vehicle Recovery and Repairs (£177,022).																																					
3.12	<p>At the end of March 2018, Supplies and Services was over-spent by £725,773. The following table shows all sub-category over-spends in excess of £50,000.</p> <table border="1"> <thead> <tr> <th></th> <th>Description</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Specialist Operational Equipment</td> <td>(80,062)</td> </tr> <tr> <td>2</td> <td>Furniture</td> <td>(56,911)</td> </tr> <tr> <td>3</td> <td>Clothing &amp; Uniforms</td> <td>(129,733)</td> </tr> <tr> <td>4</td> <td>Pathologists Fees</td> <td>(62,328)</td> </tr> <tr> <td>5</td> <td>Solicitors Fees</td> <td>(72,723)</td> </tr> <tr> <td>6</td> <td>Force Medical Advisor</td> <td>(64,369)</td> </tr> <tr> <td>7</td> <td>Consultants Fee</td> <td>(350,581)</td> </tr> <tr> <td>8</td> <td>Partnership Fees</td> <td>(81,163)</td> </tr> <tr> <td>9</td> <td>Collaboration Contribution - Police</td> <td>(430,970)</td> </tr> <tr> <td>10</td> <td>IT Hardware Maintenance</td> <td>(125,343)</td> </tr> <tr> <td>11</td> <td>IT Software Purchases</td> <td>(341,558)</td> </tr> </tbody> </table>			Description	£	1	Specialist Operational Equipment	(80,062)	2	Furniture	(56,911)	3	Clothing & Uniforms	(129,733)	4	Pathologists Fees	(62,328)	5	Solicitors Fees	(72,723)	6	Force Medical Advisor	(64,369)	7	Consultants Fee	(350,581)	8	Partnership Fees	(81,163)	9	Collaboration Contribution - Police	(430,970)	10	IT Hardware Maintenance	(125,343)	11	IT Software Purchases	(341,558)
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	12	Telecoms - Calls	(65,159)																				
	<p>These over-spends are partially offset by significant under-spends in IT Hardware Purchases (£67,020), IT Software Maintenance Contracts (£458,094), Telecoms – Repair and Maintenance (£233,843), Digital Circuits Rental (£82,628), Public Liability Insurance (£394,797) and Other Insurance costs (£61,563).</p>																						
3.13	<p>The Major Incident Fund was under-spend by £129,650 at 31 March 2018 (Appendix 1a, Line 9). Operational demand in the final months of the year was lower than forecast, hence the higher than anticipated savings.</p>																						
3.14	<p>Pro-active Operational Initiatives (Appendix 1a, Line 10) under-spent by £69,082 during the year in line with the forecast position.</p>																						
3.15	<p>Contributions to Police ICT Company and national systems (Appendix 1a, Line 11) was in-line with budget with only a modest under-spend of £19,859.</p>																						
3.16	<p>Capital Charges (Appendix 1a, Line 12) were budgeted for during the year but as the Force paid off its external debt in 2016/17 the budget was not spent. This contributed to the overall surplus for the financial year by £368,715.</p>																						
3.17	<p>During the year budget was moved from the Development Reserve (Appendix 1a, Line 13) to the appropriate area of the budget as and when approved expenditure was incurred. At year end £2,209,877 of the Development Reserve remained unspent.</p>																						
3.18	<p>Investment Income (Appendix 1a, Line 15), was £41,061 higher than budget for and is a consequence of slightly improving returns on investment in the latter half of the financial year.</p>																						
3.19	<p>Other Income recognised was 6% (£662,817) more than budgeted for 2017/18.</p> <p>The main contributors to the increase in Other Income are Other Sales (£373,991), Inter-Force Collaboration Income (£160,821) and Mutual Aid Income (£238,150).</p> <p>The increased income as above was partially offset by Local Partnership Funding Income (£189,883 below budget).</p>																						
3.20	<p>The final forecast outturn, which was prepared as at the end of February 2018, anticipated savings of £6,155,914. The movement to the interim position of £129,088 can be reconciled as follows:-</p> <table border="1"> <thead> <tr> <th>Narrative</th> <th>Year-end Actual Out-turn (£)</th> </tr> </thead> <tbody> <tr> <td>Month 11 out-turn forecast</td> <td>6,155,914</td> </tr> <tr> <td><b>Variance:</b></td> <td></td> </tr> <tr> <td>Police Officer Pay &amp; Allowances</td> <td>(69,669)</td> </tr> <tr> <td>Police Staff &amp; CSO Pay &amp; Allowances</td> <td>(2,984)</td> </tr> <tr> <td>Police Officer Overtime &amp; Enhancements</td> <td>52,274</td> </tr> <tr> <td>Police Staff &amp; CSO Overtime &amp; Enhancements</td> <td>85,874</td> </tr> <tr> <td>Other Employees Related Costs</td> <td>(62,765)</td> </tr> <tr> <td>Premises Costs</td> <td>203,759</td> </tr> <tr> <td>Transport Costs</td> <td>(116,278)</td> </tr> </tbody> </table>			Narrative	Year-end Actual Out-turn (£)	Month 11 out-turn forecast	6,155,914	<b>Variance:</b>		Police Officer Pay & Allowances	(69,669)	Police Staff & CSO Pay & Allowances	(2,984)	Police Officer Overtime & Enhancements	52,274	Police Staff & CSO Overtime & Enhancements	85,874	Other Employees Related Costs	(62,765)	Premises Costs	203,759	Transport Costs	(116,278)
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Supplies & Services	(858,646)
Major Incident Schemes	49,650
Proactive Operational Initiatives	29,082
Contribution to Police Computer Co.	11,815
Capital Charge	75,691
Development Funds	57,515
Investment Income	65,891
Other Income	716,705
Revenue contribution to capital	(108,826)
Roundings	1
<b>Actual year end out-turn</b>	<b>6,285,002</b>

The major movement in Supplies and Services and Other Income are as a result of year-end procedure in relation to obtaining a final position on Collaboration costs and adopting the accruals concept for year end.

**3.21 Police and Crime Commissioner for Gwent (Appendix 1c)**

3.22 At the end of the financial year, the Office of the Police and Crime Commissioner for Gwent has incurred expenditure of £3,179,136, which represented under-spend of 3% as detailed in Appendix 1c.

**3.23 Proposed Earmarked Reserves (Appendix 2)**


3.24 A number of pre-approved reserve movements, totalling £2,817,667 are already reflected in the position, and can be summarised as follows:-

	<b>Narrative</b>	<b>£</b>
a)	PFI Sinking Fund	1,892,304
b)	Revenue Contribution to Capital	574,867
c)	Airwave Sinking Fund	210,322
d)	PCC - General Commissioning	140,174

Authorisation is requested for the following specific earmarked reserves to be made from the year end savings:-

	<b>Narrative</b>	<b>£</b>
a)	IOM Cymru Women's Pathfinder	2,360
b)	Trauma Resilience Training	37,450
c)	Victims Hub	6,884
d)	Multi Agency Safeguarding Hub	1,269,000
e)	JFU under spend	256,000
f)	Cadets Grant Funding	9,000
g)	Mini Police Grants	15,000
h)	Breaking The Cycle	128,419
i)	Local Resilience Forum	37,012
j)	ROCU Underspend	321,939

	k)	Crimestoppers Regional Manager	30,000	
	l)	Additional PFI Sinking Fund Transfer	108,514	
	m)	Adverse Childhood Experiences	36,176	
			<b>2,257,754</b>	
<b>3.25</b>	<b>Control Account Reconciliations</b>			
3.26	The financial performance and forecast outturn processes are reliant on the accuracy and validity of the information held within the financial systems. One of the confirmations of this is the performance of control account reconciliations. At the time of drafting this report the debtors and seized money control accounts for the end of the year are currently being finalised to confirm the position for the draft accounts at 31 May 2018.			
<b>3.27</b>	<b>Capital Programme (Appendix 3)</b>			
3.28	The Revised Annual Budget on proposed schemes for 2017/18 was £7,162,000.			
3.29	The Programme for 2017/18 has been funded from Home Office funding in the form of Capital Grant, Revenue Contributions to Capital and Specific Capital Reserves.			
3.30	Appendix 3 shows the position of the capital programme and splits the costs between capital and revenue funded. Capital expenditure to the end of the year amounted to £1,588,000 of which, £134,000 to Information Systems, £146,000 related to Force Projects, £137,000 to Service Improvement schemes, £1,043,000 to Vehicle purchases, and the remaining £127,000 to Estate Schemes.			
3.31	The capital position was complemented by revenue expenditure of £2,033,000 during the year. The original budget for the Capital programme included a number of items that were earmarked in reserves as long term projects but the nature of the expenditure did not meet the accounting requirements to treat as Capital. Therefore the Capital Programme is presented accordingly. The under-spend in the associated ear-marked reserves will be carried forward for future capital developments, most notably the Estate Strategy.			
<b>4.</b>	<b><u>NEXT STEPS</u></b>			
4.1	Whilst this report represents the Interim Revenue and Capital position, the Final Year-End Statement of Accounts (Subject to Audit) will be authorised by the Chief Finance Officer (OPCC) and the Assistant Chief Officer – Resources on 29th May 2018.			
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>			
5.1	These are detailed in the report.			
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>			
6.1	The financial year 2017/18 has seen a significant period of change in the finance staff personnel. The implementation of the new finance structure following the Staying Ahead review in 2016 led to a number of senior finance staff depart the organisation in the sprint of 2017. The new Head of Finance arrived in July 2017 and developed the new team at the same time as			

	implementing the new finance system (Business World) which went live on 29 July 2017.
6.2	Significant progress has been made in developing the team and embedding the new system which provides confidence moving forward.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
7.1	There are no legal implications arising from this report.
<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.
8.2	In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.
<b>9.</b>	<b><u>RISK</u></b>
9.1	The risks arising are outlined in the body of the report.
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b>
11.1	Lorna Virgo - Head of Finance
<b>12.</b>	<b><u>ANNEXES</u></b>
12.1	 <p>M12 Annex Finance Report - Draft Accou</p> <p>Appendix 1a – Revenue Budget Performance to 31st March 2018 – Gwent Police Group.</p> <p>Appendix 1b – Revenue Budget Performance to 31st March 2018 – Budgets Allocated to Chief Constable.</p> <p>Appendix 1c – Revenue Budget Performance to 31st March 2018 – Office of Police and Crime Commissioner.</p> <p>Appendix 2 – Approved and Proposed Reserve Movements.</p> <p>Appendix 3 – 2017/18 Capital Programme at 31st March 2018.</p>